No. 97-1130

Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1997

WAYNE K. PFAFF,

Petitioner,

vs.

WELLS ELECTRONICS, INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITIONER

AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
GARY L. GRISWOLD, President
2001 Jefferson Davis Highway
Arlington, Virginia 22202
(703) 415-0780

ROBERT H. FISCHER
Counsel of Record
277 Park Avenue
New York, New York 10172
(212)758-2400

ROBERT L. BAECHTOLD
J. MICHAEL JAKES
LIZA K. TOTH

Attorneys for Amicus Curiae American Intellectual Property Law Association

146427

(800) 274-3321 • (800) 359-6859
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STATEMENT OF INTEREST

The American Intellectual Property Law Association ("AIPLA") is a national association of more than 10,000 members, primarily attorneys, whose interests and practices lie in the areas of patent, copyright, trademark, trade secret, and other intellectual property law. AIPLA attorneys are employed by private law firms, corporations, universities, and governments, and they represent both patent owners and competitors of patent owners.

The AIPLA has no interest in either of the parties to this litigation or in the outcome of this case, other than its interest in seeking correct and consistent interpretation of the law and litigation procedures relating to patents.

Petitioner and respondent have consented to the filing of this brief, *amicus curiae*; their consents have been filed with the clerk of this Court.[1]

SUMMARY OF ARGUMENT

The invention described in a patent is defined by one or more claims set out at the end of the patent specification. 35 U.S.C. § 112. In the event that the subject matter of a claim is not "novel," as measured by the circumstances specified in 35 U.S.C. § 102, then that claim is invalid.

Subsection 102(b) provides that a claimed invention is invalid if

> the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year

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1. No interested party authored this brief, in whole or part, or paid any of the costs of producing it.

> prior to the date of the application for patent in the United States . . . .

35 U.S.C. § 102(b). This statute plainly has two concepts in mind in referring to the "invention". First, the statute intends to refer to a writing that describes the claimed invention — a "patent" or a "printed publication". An actual device embodying the invention is not required. However, the statute also has a second concept in mind by referring to an invention "in public use". Here, the statute manifestly refers to an actual device embodying the claimed invention — since otherwise, the invention would not be in use.

The question before this court is whether Congress intended the statute to have a third meaning in determining whether an invention was "on sale". The Court of Appeals for the Federal Circuit says yes, and that this meaning requires no physical embodiment of the invention, but rather a judicial determination whether, based upon "all of the circumstances" — circumstances that are evaluated *de novo* by the Federal Circuit appellate court — "there was 'reason to expect that it would work for its intended purpose upon completion' ". *See Pfaff v. Wells Electronics, Inc.*, 124 F.3d 1429, 1432-33, 1434 (Fed. Cir. 1997).

The AIPLA, on behalf of its membership, urges that the answer is no — that in determining whether an invention was "on sale" under 35 U.S.C. § 102(b), the statute requires an actual device embodying the invention — as it plainly does for a public use. The AIPLA believes that this interpretation is more in accord with the statutory language, the decisions of this court, and considerations of sound public policy.

ARGUMENT

I.

THE ORIGINS OF THE STATUTE AND THE DECISIONS OF THIS COURT ALL REFLECT AN INTENT TO REQUIRE A PHYSICAL EMBODIMENT TO BE ON SALE.

The relevant portion of the statute at issue, 35 U.S.C. § 102(b), which patent practitioners refer to as the "on sale bar", did not originate with the 1952 Patent Act, the current patent statute. Rather, the on sale bar in Section 102(b) is simply the latest expression of a rule of law going back over 120 years.

The very first patent acts of this Republic, the Act of April 10, 1790, Ch. 7, § 1, 1 Stat. 109, 110, and the Act of February 21, 1793, Ch. 11, § 1, 1 Stat. 318, 319, both permitted the grant of a patent for an invention that was not before "known or used". Although the act of selling the invention was not expressly stated as a basis for invalidating a patent right, placing an invention "on sale" was considered to be a "use" within the meaning of the statute. *See Pennock & Sellers v. Dialogue*, 27 U.S. (2 Pet.) 1 (1829) (Story, J.). In *Pennock & Sellers*, this Court affirmed a circuit court judgment in favor of a defendant charged with infringing a patent on a hose, where thousands of feet of the later-patented hose had been sold prior to filing. *See, e.g., id.* at 1, 3, 23-24. In interpreting the meaning of "use" in the 1793 Act, this Court looked to an analogous British case, finding a sale to be a "use." *Id.* at 20. But the Court then went further, and observed that the invalidating sale in that case was of the actual thing invented, and not just the concept:

> By "invention", the learned judge undoubtedly meant, as the context abundantly shows, not the abstract discovery, but the *thing* invented; not the new secret principle, but the manufacture resulting from it.
>
> The words of our statute are not identical with those of the statute of James, but it can scarcely admit of doubt, that they must have been within the contemplation of those by whom it was framed, as well as the construction which had been put upon them by Lord Coke.

Id. at 20-21 (emphasis in original).

The Patent Act of 1836 was the first to separately state the public use and on sale bars, as follows:

> [A]ny person or persons having discovered or invented any new and useful art, machine, manufacture, or composition of matter . . . not, at the time of his application for a patent, *in public use or on sale*, with his consent or allowance . . . may make application in writing to the Commissioner of Patents . . . .

Act of July 4, 1836, Ch. 357, § 6, 5 Stat. 117, 119 (emphasis added). The legislative materials do not indicate that by separately stating "use" and "on sale", Congress intended these terms to have different meanings — one referring to a physical embodiment of the invention, and the other to a legal construct determined from "all of the circumstances." *See generally* S. Rep. 24-338 (1836). Rather, it is most likely that Congress separately referred to "on sale" in the 1836 Act simply to codify the existing case law, as stated by this Court in *Pennock & Sellers*, and which

plainly contemplated a physical embodiment of the invention being "on sale."[2] *See* 127 U.S. at 20-21.

That Congress intended "on sale" to refer to a physical embodiment of the invention is made even clearer by Section 7 of the Patent Act of 1839, which added a two-year grace period to the bars on prior use and sale. This was done to alleviate the harshness of the prior statute, which absolutely barred a patent for any prior use or sale, no matter how short. *Andrews v. Hovey*, 123 U.S. 267, 273 (1887). Section 7 of the 1839 Act read as follows:

> That every person or corporation who has, or shall have, purchased or constructed any newly invented machine, manufacture, or composition of matter, prior to the application of the inventor or discoverer for a patent, *shall be held to possess the right to use, and vend to others to be used, the specific machine, manufacture, or composition of matter so made or purchased*, without liability therefor to the inventor, or any other person interested in such invention; and *no patent shall be held to be invalid by reason of such purchase, sale, or use prior to the application for a patent* as aforesaid, except on proof of abandonment of such invention to the public; or that such purchase, sale, or prior use has been for more than two years prior to such application for a patent.

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2. One commentator has stated that Congress enacted the on sale bar "to halt the fraudulent practice, begun under the Patent Act of 1793, of patenting inventions that had long been in public use." R.J. Barrett, Note, *New Guidelines for Applying the On Sale Bar to Patentability*, 24 Stan. L. Rev. 730, 731 (1972). While Congress did want to halt this fraudulent practice, Congress' solution in the 1836 Act was to empower the Patent Office to examine applications on the merits, not to create a new on sale bar. *See* S. Rep. No. 24-338, at 3-4 (1836). Under the prior 1793 Act, the issuance of patents was essentially a ministerial act, with validity tested only by way of litigation. *See generally id.*

Act of March 3, 1839, Ch. 88, § 7, 5 Stat. 353, 354 (emphasis added).

This statute made express that the on sale bar was intended to apply only to physical embodiments of the invention. The first clause refers to an individual's right to "use, and vend to others" machines "made or purchased" prior to the filing of a patent application. The act of vending in this first clause thus requires a physical embodiment — a machine previously "made or purchased." The second clause of this statute essentially invalidates any patent applied for more than two years after "such purchase, sale, or use". The only antecedent of "such sale" in the second clause is the right to "vend to others" referred to in the first clause — which, as just explained, must refer to a physical embodiment. This interpretation of the statute has been confirmed by this Court. *See Andrews v. Hovey*, 123 U.S. 267, 273 (1887).

It is therefore absolutely clear that the 1839 statute, in referring to a "purchase, sale or prior use . . . more than two years prior to such application for a patent", required the sale of a physical embodiment of the patented device.

The 1839 Act also deleted the requirement in the 1836 Act that a public use or sale arose only when done with the inventor's consent. *Compare* Act of July 4, 1836, Ch. 357, § 6, 5 Stat. 117, 119, *with* Act of March 3, 1839, Ch. 88, § 7, 5 Stat. 353, 354. Notably, this Court indicated that the purpose of this deletion was to make the duration of the grace period easily calculated:

> The evident purpose of the section was to fix a period of limitation which should be certain, and require only a calculation of time, and should not depend upon the uncertain question of whether the applicant had consented to or allowed the sale or use.

Andrews v. Hovey, 123 U.S. 267, 274 (1887).

In 1870, the statute was amended again, and reverted back to the "public use or on sale" language used in the 1836 Act. Act of July 8, 1870, Ch. 230, § 24, 16 Stat. 198, 201. The changes in wording were apparently made for clarity only; again, it is likely that in employing the simpler language Congress did not intend to change the meaning of "on sale" to require something other than a physical embodiment — as was plainly required by the 1839 Act immediately preceding.[3] Although following the 1870 Act, additional changes to the "public use" and "on sale" bars were passed, they did not change the meaning of these terms;[4] indeed, the phrase in the statute at issue today — "in public use or on sale" — is the same as in the 1836 Act. The AIPLA accordingly submits that there is nothing in the history of Section 102(b), the legislative material of Congress, or the decisions of this Court, supporting the statutory interpretation below.

Additionally, over 100 years ago, this court recognized that the statute was intended to make "certain" the time period for calculating when a patent application needed to be filed, and found that calculation of the time period should not depend upon an "uncertain question". *Andrews v. Hovey*, 123 U.S. at 274 (1887). The AIPLA submits that these statements are as true today as they were when made.

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3. The Congressional discussion of the 1870 Act reflects that changes were made to Patent Office compensation, rights of appeal from the Commissioner, rights to test a patent's validity in court, and payment of fees. *See* CONG. GLOBE, 41st Cong., 2d Sess. 2679-2683 (1870). Representative Jenckes of the Committee on Patents of the House stated that "[i]n other respects the law stands without any other change than that it is enlarged, defined, made clear in its terms and provisions and in its proposed execution . . . ." *Id.* at 2683.

4. In the Patent Act of 1897, the public use or sale was expressly required to occur "in this country". *See* Act of March 3, 1897, Ch. 391, § 4886, 29 Stat. 692, 692. The Patent Act of 1939 shortened the grace period from two years to one year. *See* Act of August 5, 1939, Ch. 450, § 1, 53 Stat. 1212, 1212.

Further, the analysis must presume that an invention was made which would, but for the on sale bar, have resulted in a valid patent. Thus to the extent the "on sale" conclusion is based on acts done by the patent applicant itself, it is a form of forfeiture. By not filing within a year after doing the triggering act, the otherwise existing right to a patent is lost. In accordance with the general principle that forfeitures are not favored, and laws creating them are strictly construed, *see Farmers' and Mechanics' National Bank v. Dearing*, 91 U.S. 29, 35 (1875); the triggering act should be one that is clearly recognizable as such at the relevant time, and not be subject to a fluid "all of the circumstances" test applied years later in a litigation, *see Pfaff*, 124 F.3d at 1433.

II.

REQUIRING A PHYSICAL EMBODIMENT BEFORE DEEMING AN INVENTION ON SALE IS IN THE PUBLIC INTEREST.

A paramount objective of any law is that it be clear. This is particularly true with laws that regulate commercial activities, where clear laws allow decisions to be made quickly, efficiently and with confidence. Vague laws, in contrast, leave people uncertain as to what conduct is permitted and cause needless expenditures of the resources of the enterprises whose conduct is sought to be governed. The AIPLA submits that interpreting the "on sale" provision of Section 102(b) to require completion of a physical embodiment provides the best guidance for inventors and best promotes "the progress of science and useful arts." U.S. CONST. art. I, § 8, cl. 8.

Assuming that an act that can give rise to a bar has taken place, measuring the time to file an application from the date that an actual embodiment of the invention is made gives the inventor

a clear guide as to when a patent application must be filed. By simply referring to the date when the first device was completed, the inventor is able to calculate in a simple manner when a patent application must be filed. *See Andrews v. Hovey*, 123 U.S. 267, 274 (1887).

Also, it is common to make numerous changes to an invention between its conception and construction of an actual embodiment of that invention. These changes almost invariably better the invention — make it more efficient, smaller, faster, cheaper, etc. Measuring the time from the date an embodiment of the invention is actually made allows these improvements to be described and claimed in the patent application. In addition, insofar as an inventor finds it necessary to continue the process of refining the invention after the actual embodiment is made, it can do so with confidence, since the time when an application must be filed is fixed. Again, these further refinements may be described and claimed in the patent ultimately applied for. As a result, the inventor can better protect the embodiment being marketed, since it is that embodiment which will most likely be reverse-engineered by competitors. Correspondingly, it also promotes disclosure to the public of new technology. The patent, by disclosing the post-conception modifications and improvements to the invention, provides the public a readily available teaching of the most practicable device.

In contrast, measuring when the bar date starts to run based upon an appellate court's perception of "all of the circumstances" makes the determination inherently subjective and uncertain, and results in virtually any effort to create a commercial demand for a proposed new product giving rise to a risk that, years later, a court will find that the patent for that product is invalid. This result is wholly untenable in today's marketplace, where any pause in a firm's pace of innovation spells extinction. For example, a company will often envision what performance it would like its

next-generation product to have — in terms of speed, weight, capacity, cost — and then deliver these specifications to its engineering staff to determine how actually to design a device that meets the performance specifications.

At the same time, due to the pressures of the marketplace, the company will likely announce to the public that it will have that product, on a date certain, and yes, it will be glad to take any orders that come along — despite the fact that no product exists. The innovator *must* do this, since its competitors are doing exactly the same thing, and they will get the orders for the next generation product if the innovator stays silent.

The Federal Circuit's "all of the circumstances" test renders the inventions of the innovator — and their competitor's inventions, made to match or exceed the innovator's own — potentially unprotectable. Under that test, there is no way to insure the inventor that a patent application filed after public announcement of its intentions will be immune from attack for being "on sale", since that depends on "all of the circumstances".[5] *Pfaff*, 124 F.3d at 1433.

The Federal Circuit below has stated that the "foremost purpose of the on-sale bar is 'to prevent inventors from exploiting the commercial value of their inventions while deferring the beginning of the statutory term.' " *Pfaff*, 124 F.3d at 1433 (quoting

5. The Federal Circuit's "all of the circumstances" test in determining whether a sale has occurred is also inconsistent with the Federal Circuit's treatment of attempts to market an inventive concept. In *Hupp v. Siroflex of America, Inc.*, 122 F.3d 1456 (Fed. Cir. 1997), the Federal Circuit held that submission of an inventive idea to a commercial invention development firm, in order to obtain patent services and assistance in developing and marketing the invention, did not constitute an "on sale" event within the meaning of 35 U.S.C. § 102(b). *Id.* at 1461. If marketing an inventive concept is not a sale, consistency requires that there be no sale here also.

Ferag AG v. Quipp Inc., 45 F.3d 1562, 1567-68 (Fed. Cir. 1995)). Even assuming this to be a purpose of the on-sale bar, a matter that is at least questionable[6], we submit that this purpose will not be frustrated by permitting an inventor to complete a device actually embodying the invention, before considering the invention "on sale".

Implicit in this policy assertion is a concern that an inventor will make efforts toward selling the invention, and yet purposefully not complete the actual device in order to defer the time when an application need be filed. Such a concern, however, does not accord with commercial realities. Any enterprise typically will make every effort to produce actual devices as soon as possible, notwithstanding any putative patent law benefits by delaying, since, depending upon the industry, the first to market can have a significant competitive advantage. In addition, it is questionable whether such patent filing could be delayed for any meaningful length of time, for purposes of "exploiting the commercial value" of the invention. The only way any business can really exploit the commercial value of an invention is by making and selling it. Exploiting the commercial value of an invention, in the absence of an actual device to sell, simply cannot continue for any length of time in the real world.

We submit that this policy consideration has little bearing on the actual conduct of the vast bulk of commercial enterprises and inventors. It certainly should not be a basis for supporting an "all of the circumstances" on sale test in view of the uncertainty and inefficiency that such a standard creates.

6. The policy behind barring the filing of patent applications for inventions previously on sale is more basic in nature: to limit patents to those inventions that are new. As to the one-year grace period, that was provided by Congress as an amelioratory provision in favor of the inventor. *Andrews v. Hovey*, 123 U.S. 267, 273 (1887).

The Federal Circuit has also asserted that a policy behind the on-sale bar is to preclude removing inventions from the public which it has come to believe are freely available "as a consequence of prolonged sales activity". *UMC Electronics Co. v. United States*, 816 F.2d 647, 652 (Fed. Cir. 1987) (quoting *General Electric Co. v. United States*, 654 F.2d 55, 61 (Ct. Cl. 1981)). For the reasons described above, it is not clear that this policy will be meaningfully furthered by denying inventors the ability, depending upon "all of the circumstances", to complete a physical embodiment of their invention before deeming it on sale. The public cannot be deprived of something that does not yet exist in tangible form. The Federal Circuit has further asserted that a policy behind the on sale bar is to favor prompt and widespread disclosure of new inventions to the public by compelling the prompt filing of patent applications. *Id.* But creating unpredictability and uncertainty by employing an "all of the circumstances" test is an unreasonable way to further this goal. With a clear definition of when the bar begins to run, the self-interests of the entrepreneur in marketing its products as promptly and widely as possible provides strong incentive for prompt filing of patent applications for new inventions, within the period prescribed by Congress in 35 U.S.C. § 102(b).

CONCLUSION

For the foregoing reasons, this court should reverse the panel decision of the Federal Circuit, and hold that there must be a physical embodiment of an invention for that invention to be on sale within the meaning of 35 U.S.C. § 102(b).

Respectfully submitted,

ROBERT H. FISCHER
Counsel of Record
277 Park Avenue
New York, New York 10172
(212)758-2400

AMERICAN INTELLECTUAL
PROPERTY LAW ASSOCIATION
GARY L. GRISWOLD, President
2001 Jefferson Davis Highway
Arlington, Virginia 22202
(703) 415-0780

ROBERT L. BAECHTOLD
J. MICHAEL JAKES
LIZA K. TOTH

Attorneys for Amicus Curiae
American Intellectual Property
Law Association